



# Special ADR Edition Special ADR Edition

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## **MORE THAN YOU WANT TO KNOW ABOUT FNEEQ - Long Term Disability - FAC**

**Most teachers who become disabled will do better with the FNEEQ long term disability insurance. FNEEQ teachers who become disabled at 58 can receive up to \$120,294 more than teachers with FAC long term disability.**

*By: Fred Jones*

Disabled FNEEQ teachers receive 80% of their net salary. The net salary is equal to the gross salary minus federal and provincial taxes, and contributions to employment insurance, parental rights and QPP. FAC long term disability pays a monthly benefit based on the gross salary. This is 70% of the first \$2500 and 50% of the rest to a maximum total disability payment of \$4,000. The FAC payment is consistently higher than the FNEEQ payment. The difference depends on the number of dependents as this reduces income taxes paid and therefore increases the FNEEQ net payment.

**However the situation changes when pension and QPP payments are considered. FAC deducts 100% of REGOP and QPP for a retired teacher.** However, FAC assumes that all teachers over 60 retire and therefore automatically deducts 100% of RREGOP and QPP. This forces all teachers on disability to retire. For example a teacher at 60 who is single, who earned \$60,000 and has 24 years of pension eligibility and who has not retired would be entitled to a yearly disability pension from FAC (Desjardins) of \$36,854 minus RREGOP of \$28,800 minus QPP of \$7,632. Therefore, if he did not retire he would receive a disability pension of \$422 per year and no other income. Of course the teacher will retire. . If he/she retires the teacher will still receive only \$442 as a disability payment. However added to the \$28,800 RREGOP and \$7,632 QPP this will give him a total of \$36,854 to live on. The fewer the years of pensionable income, the higher the disability pension. However the income which is the sum of the disability payment, RREGOP and QPP does not change.

**FNEEQ does not require that teachers on disability retire when they reach 60 years.** Until it has been established that the disability is not reversible a teacher cannot be forced to retire. You can find this in their English insurance booklet on the FNEEQ website on page 43. If a teacher has few years of pension credits and

the possibility that the disability will be cured, then it is in the teacher's interest to be able to return to work. For example a teacher who is seriously injured in a car accident and whose recovery will take several years but who has only 10 years of pension credit.

**In all cases where the FNEEQ disabled teacher cannot return to work it is in his/her interest to retire because FNEEQ only deducts 50% of RREGOP and QPP payments. As a result a FNEEQ teacher will get to keep the disability pension plus one half the RREGOP and one half the QPP.** For example a single FNEEQ teacher on disability with 24 years of pensionable income at 60 will receive as a disability pension \$32,572 minus \$14,400 from RREGOP minus \$3816 from the QPP. The yearly disability pension will therefore be a non taxable payment of \$14,356. The teacher's total income would be \$14,356 disability plus \$28,800 RREGOP plus \$7,632 QPP. The total yearly income for the FNEEQ teacher would be \$50,788 or \$13,934 more than FAC. The impact of this is even greater as the disability payment of \$14,356 is non taxable, as mentioned above. The difference would increase with any increase in the pensionable years and decrease with decreases in pensionable years. The difference would also increase as the QPP increased with age and would be greater for couples and families.

A disabled FNEEQ teacher with a family who earns \$70,000 with 30 pensionable years can gain up to \$120,294 more than a disabled FAC teacher over the 5 years from 60 to 65. However as the number of pensionable years and salary declines the difference will decrease. The difference will also decrease for a single disabled teacher. This is due to the lower disability payout by FNEEQ because of lower deductions which yield higher taxes and therefore lower net income. A single teacher earning \$70,000 per year with 30 pensionable years would only earn \$103,919 more than a FAC teacher. A single teacher earning \$40,000 with credit for 20 years of pension payments would only make \$66,013 more than a FAC teacher on disability.

**However, single teachers who become disabled early will be better off financially with FAC disability for two reasons.** First they will have very few pensionable years. The big advantage for FNEEQ is in the way RREGOP and QPP are treated. Second the FAC annual disability pension is higher as there are fewer deductions for a single teacher and therefore a lower net income which reduces the FNEEQ disability payment but does not affect that of FAC. FNEEQ's annual disability payments equal between 87% and 92% of the net salary. However FAC's payments run from 94% to 101% of the net salary. This does not include the impact of RREGOP and QPP.

**Make sure that you attend the DTU sessions on Insurance in 5B.13 the Boardroom:**

Monday March 30: 2-3p.m. FNEEQ-La Capital & 3-4pm. FAC - Desjardins  
Tuesday March 31: 1-2p.m. FAC-Desjardins & 2-3p.m. FNEEQ - La Capital